GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2602
ANSWERED ON:16.03.2007
STATE FINANCE CORPORATIONS
Mahtab Shri Bhartruhari

Will the Minister of FINANCE be pleased to state:

(a) whether some State Financial Corporations (SFCs) are running in losses;

(b) if so, the details thereof; State-wise;

(c) the reasons for incurring losses;

(d) the steps taken by the Government in this regard; and

(e) the number of SFCs restructured as per G.P. Gupta Committee report?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a) & (b): As per the data available with SIDBI, the State Financial Corporations (SFCs) in the States of Assam (Rs.1789 lakh), Himachal Pradesh (Rs.460 lakh), Jammu & Kashmir (Rs.172 lakh), Kerala (Rs.193 lakh), Madhya Pradesh (Rs.514 lakh), Maharshtra (Rs.613 lakh) and Punjab (Rs.669 lakh) have incurred losses, during the Financial Year 2005-06. Annual reports of Bihar and Gujarat SFCs for the year are not available.

(c): Competition from banks/ financial institutions, frequent changes in top management, lack of second line of management, over staffing, poor recovery, poor capital adequacy, increasing NPAs, high cost of funds, etc. are the main reasons for incurring losses`by the SFCs.

(d) & (e): SIDBI has entered into tripartite MoU with 11 SFCs, involving the respective State Governments, in order to help to improve the overall health and functioning of the SFCs. SIDBI is extending assistance at concessional rates of interest and need based restructuring/ relief packages to these SFCs apart from permitting them to prepay their high cost bearing refinance. Since RBI and Government of India are not shareholders of SFCs, it is not possible for Government of India to infuse funds into SFCs as recommended by the G.P. Gupta Committee.